

6128

RECEIVED  
LEGISLATIVE AUDITOR  
05 JAN 11 PM 3:35

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/2005

## TABLE OF CONTENTS

---

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2004 .....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004 .....	4
STATEMENT OF FUNCTIONAL EXPENSES FOR THE ENDED JUNE 30, 2004 .....	5
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2004 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
<u>SUPPLEMENTARY INFORMATION</u>	
Independent Auditors' Report on Supplementary Information .....	24
Schedule of Expenditures of Federal Awards .....	25
Notes to the Schedule of Expenditures of Federal Awards .....	28

## TABLE OF CONTENTS, CONTINUED

---

	<u>PAGE</u>
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Statement of Net Assets .....	29
Statement of Revenues, Expenses, and Changes in Net Assets .....	30
Notes to the Other Supplementary Information .....	31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	38
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	41
SCHEDULES OF FINDINGS AND QUESTIONED COSTS:	
Schedule I - Summary of the Independent Auditors' Results .....	44
Schedule II - Financial Statement Findings .....	46
Schedule III - Findings and Questioned Costs Related to Federal Awards .....	47



**Member**

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**University of New Orleans**  
**Research and Technology Foundation**  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **University of New Orleans Research and Technology Foundation** (a non-profit organization) as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended June 30, 2004. These financial statements are the responsibility of the management of the **University of New Orleans Research and Technology Foundation**. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **University of New Orleans Research and Technology Foundation** as of June 30, 2004, and the changes in its net assets, and its cash flows for the year then ended June 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors  
**University of New Orleans**  
**Research and Technology Foundation**  
New Orleans, Louisiana  
Page 2

In accordance with Government Auditing Standards, we have also issued a report dated August 31, 2004 on our consideration of the **University of New Orleans Research and Technology Foundation's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2004

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2004**

**ASSETS**

**Current Assets**

Cash and cash equivalents (NOTE 2)	\$	537,777
Investments (NOTE 6)		7,461,575
Receivables (NOTE 7)		2,227,050
Deferred charges, net (NOTE 2)		202,224
Other current assets (NOTE 8)		72,513
<b>Total current assets</b>		10,501,139

**Noncurrent Assets**

Restricted Assets:

Cash and cash equivalents (NOTE 2)		150,000
Investments (NOTE 6)		1,372,799
Property and equipment, net (NOTES 2 and 5)		72,160,388
Other noncurrent assets (NOTE 8)		72,866
<b>Total noncurrent assets</b>		73,756,053

**Total Assets**

**\$ 84,257,192**

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	\$	2,726,492
Deferred revenues		24,281
Amounts held in custody for others (NOTE 9)		35,976
Interest payable (NOTES 11 and 12)		1,166,435
Current portion of notes payable (NOTE 11)		229,744
Current portion of bonds payable (NOTE 12)		4,040,000
Other current liabilities		18,934
<b>Total current liabilities</b>		8,241,862

**Noncurrent Liabilities**

Notes payable, net of current portion (NOTE 11)		7,505,182
Bonds payable, net of current portion (NOTE 12)		4,732,298
Other noncurrent liabilities (NOTE 2)		1,078,974
<b>Total noncurrent liabilities</b>		13,316,454
<b>Total Liabilities</b>		21,558,316

**NET ASSETS**

Unrestricted (NOTE 2)		62,548,876
Temporarily restricted (NOTE 2)		150,000
<b>Total Net Assets</b>		62,698,876
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>84,257,192</b>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Changes in unrestricted net assets:</b>	
Contributions	\$ 134,904
Investment earnings	72,665
Other revenues:	
Grants and contracts	19,852,547
Property operations (NOTES 13 and 14)	4,156,377
Other	869,468
Total unrestricted revenues and support	<u>25,085,961</u>
Net assets released from restrictions:	
Satisfaction of program expenses	-
Total unrestricted revenues and other support	<u>25,085,961</u>
Expenses:	
Amounts paid to benefit University of New Orleans for:	
Projects specified by donors	-
Projects specified by the Board of Directors	215,828
Other:	
Grants and contracts	13,208,218
Property operations	3,651,671
Total program expenses	<u>17,075,717</u>
Supporting services:	
Salaries and benefits	392,214
Travel	5,183
Professional services	336,692
Depreciation	2,247,342
Other	633,897
Total supporting services	<u>3,615,328</u>
Total expenses	<u>20,691,045</u>
Increase in unrestricted net assets	<u>4,394,916</u>
<b>Changes in temporarily restricted net assets:</b>	
Contributions	150,000
Investment earnings	-
Total temporarily restricted revenues	<u>150,000</u>
Net assets released from restrictions:	
Satisfaction of program expenses	-
Total net assets released from restrictions	<u>-</u>
Increase/(decrease) in temporarily restricted net assets	<u>150,000</u>
Increase in net assets	4,544,916
Net assets at beginning of year	58,153,960
Net assets at end of year	<u>\$ 62,698,876</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Management and General	Research and Technology Park	UNO/Avondale Maritime Technology Center of Excellence	UNO/Naval Reserve Information Systems Office	Advanced Technology Center	Center for Energy Resource Management	Technology Transfers/Grants and Contracts	Total
Air Conditioning	\$ -	\$ -	\$ -	\$ 26,942	\$ 15,173	\$ 18,921	\$ -	\$ 60,936
Advertising	3,550	-	-	-	-	-	186	3,736
Bank Service Charge	3,228	-	-	-	-	-	-	3,228
Cleaning	-	-	-	246,249	55,307	54,841	235	356,632
Cultivation/Donation	7,230	-	-	-	-	-	10,000	17,230
Contract Services	167,953	-	-	72,647	-	1,705	11,915,961	12,158,266
Design/Plan	85,000	-	-	-	-	-	-	85,000
Depreciation/Amortization	12,480	-	559,123	1,448,969	225,322	1,448	-	2,247,342
Elevator	-	-	38,242	878	3,875	14,075	-	56,192
Fees & Registration	6,906	-	-	-	-	-	4,545	12,329
Indirect Costs	-	-	-	-	-	-	407,269	407,269
Interest Expense	100	-	475,151	-	600,362	-	-	1,075,613
Legal	83,739	-	-	-	-	-	148,393	232,132
Maintenance of Property	-	173,885	-	80,139	54,486	77,462	362	386,334
Management Fee	540,442	6,000	5,030	100,000	26,732	26,127	249,341	953,672
Miscellaneous	7,640	47	-	5,310	11,811	2,236	13,422	40,466
Office Equipment	-	-	10,456	6,902	860	849	6,313	25,380
Office Furniture	653	-	-	-	-	-	-	653
Office Supplies	9,087	-	-	4,643	485	5	30,295	44,515
Official Functions	7,745	-	-	805	703	-	17,382	26,635
Postage	537	-	-	-	-	-	119	656
Printing & Duplication	754	-	-	-	-	-	1,545	2,299
Rentals and Leases	33,795	1,300	-	67,776	58,200	-	256,045	417,116
Salaries	392,214	-	-	217,565	32,940	28,840	(9,469)	662,090
Security	-	123,480	-	500,546	4,348	7,689	-	636,063
Subscriptions	-	-	-	-	-	149	22,039	22,188
Telephone	9,730	-	-	5,642	5,400	(594)	31,869	52,047
Travel	5,183	-	-	-	-	-	24,796	29,979
University Enhancements	2,500	-	239,000	-	-	-	73,387	314,887
Utilities	-	62,302	-	156,818	124,073	12,784	4,183	360,160
<b>Total</b>	<b>\$ 1,380,466</b>	<b>\$ 367,014</b>	<b>\$ 1,288,760</b>	<b>\$ 2,980,073</b>	<b>\$ 1,220,077</b>	<b>\$ 246,437</b>	<b>\$ 13,208,218</b>	<b>\$ 20,691,045</b>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

<u>Cash Flows from Operating Activities</u>	
Change in net assets	\$ 4,544,916
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,287,805
Amortization of deferred equipment reimbursement	(2,041,323)
Amortized discount on bond	(1,351)
Decrease in accounts and grants receivable	2,075,975
Decrease in account payable	(2,159,776)
Decrease in accounts, interest and retainage payable	(92,899)
Amortized discount on notes payable	96,335
Increase in other assets	(13,342)
Decrease in prepaid expenses	(25,827)
Increase in deferred revenue	<u>24,281</u>
Net cash provided by operating activities	<u>6,694,794</u>
<u>Cash Flows Used in Investing Activities</u>	
Purchase of fixed assets	(211,966)
Construction in progress	(412,070)
Purchase of investments	<u>(4,025,423)</u>
Net cash used in investing activities	<u>(4,649,459)</u>
<u>Cash Flows from Financing Activities</u>	
Payments on notes payable	(135,225)
Payments on bonds payable	(4,125,000)
Deposits with trustees	<u>1,648,155</u>
Net cash used in financing activities	<u>(2,612,070)</u>
Net decrease in cash	(566,735)
Cash at beginning of year	<u>1,254,512</u>
Cash at end of year	<u>687,777</u>
Supplemental disclosure:	
Interest paid in cash	<u>\$ 67,309</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 - Organization:**

**The University of New Orleans Research and Technology Foundation (the Foundation)** was organized on March 3, 1997 as a non-profit organization to accomplish the following purposes:

- A. As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the "University") and the Louisiana State University System ("the LSU System");
- B. To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world;
- C. To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- D. To promote the development of high technology industries and research in Louisiana;
- E. To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 1 - Organization, Continued:

- F. To increase employment opportunities in Louisiana;
- G. To promote research and development in Louisiana;
- H. To promote cooperation between the public and private sector with respect to research and development;
- I. To attract nationally prominent scientists and researchers to the University;
- J. To maximize research capabilities in Louisiana;
- K. To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- L. To exercise all such powers and authority as may be necessary for the accomplishment of the objects and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2 - Summary of Significant Accounting Policies:**

**Principles of Accounting**

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Reporting**

SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **the Foundation** are included in this category. **The Foundation** has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of **the Foundation**, and therefore, **the Foundation's** policy is to record these net assets as unrestricted. Also, **the Foundation** considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receive and sacrifice something of approximately equal value.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies , Continued:

Basis of Reporting, Continued

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At June 30, 2004, **the Foundation** had \$62,548,876 in unrestricted net assets, \$150,000 in temporarily restricted net assets, and no permanently restricted net assets.

Fixed Assets

*Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Depreciation of the buildings and office furniture and equipment is provided using the straight-line method over the estimated useful life of the fixed assets which is forty (40) and five (5) years, respectively. Equipment acquired under capital leases are depreciated over the life of the equipment which is five (5) years.*

Cash Equivalents

For purposes of the Statement of Cash Flows, **the Foundation** considers all investments purchased with a maturity of three months or less to be cash equivalents.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Deferred Charges/Deferred Reimbursement

Deferred charges represent software and labor costs incurred for the installation of the data processing equipment. Deferred reimbursements represent amounts received from a third party for the reimbursement of aforementioned deferred charges. Such costs and reimbursements are being amortized over five years. Amortization expense, which is net of the amortization of the reimbursement, totaled \$761,015 at June 30, 2004. The amortization of the reimbursement totaled \$2,037,132 at June 30, 2004.

Bond Issuance Costs

Bond issuance costs incurred in relationship to the bond indebtedness has been capitalized and amortized over the life of the bond liability which range from three years to seven years. Amortization expense for the year ended June 30, 2004 totaled \$57,252.

Amortization of Premium/Discount

Bonds Payable

The bond premium paid on the Series 1999 Revenue Refunding bonds (\$21,663) is amortized over the related life of the bond issue. The amortization of the premium has been recorded to investment expense.

Note Payable

During the year ended December 31, 1999, the Foundation received a non-interest bearing loan in the amount of \$1,500,000. The present value concept was utilized to determine the initial amount of the discount (\$1,011,313) which is amortized over the life of the loan utilizing the interest method. The balance of the discount at June 30, 2004 totaled \$750,906.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 3 - Cooperative Endeavor Agreements:

University of New Orleans/  
Avondale Maritime Technology Center of Excellence

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (the University), the **University of New Orleans Research and Technology Foundation (the Foundation)**, and Avondale Industries, Inc. entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of fifteen years, and from one-to-seven additional five year periods.

The Agreement and related amendment provided for the use of annually appropriated State funds and the corporate guarantee by Avondale of certain financial obligations incurred by **the Foundation** for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U. S. Department of Navy vessels which will provide a substantial economic benefit to the State. **The Foundation** and Avondale represented that the economic benefit occurring as a result of the payment or performance of the State's obligation will equal or exceed the value of the State's obligations.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 3 - Cooperative Endeavor Agreements, Continued:

University of New Orleans/  
Avondale Maritime Technology Center of Excellence, Continued

Obligations

Avondale donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by **the Foundation** and is sub-leased to Avondale. Also, **the Foundation** has equipped the facility and leased such equipment to Avondale.

The State of Louisiana has paid \$35,152,720 and will pay to **the Foundation** no more than the remaining present value of \$40,000,000, which amount may be paid in one or more installments on or before September 1 of each year as follows:

On or before September 1, 2004	\$4,662,525
On or before September 1, 2005	\$4,366,469
On or before September 1, 2006	\$ 796,598

**The Foundation** shall submit to the State of Louisiana on or before November 1 documentation supporting the amount to be appropriated for the immediately following year in satisfaction of the State's obligation. On July 1, 2004, **the Foundation** submitted a request totaling \$4,662,525 to the State of Louisiana's Department of Economic Development for the 2004 funding. Such amount was received in July 2004.

Additionally, Avondale agreed that:

- It will utilize the Facilities for the design and construction of Vessels pursuant to the Navy LPD-17 Contract and other contracts. Avondale agrees that it will fulfill its obligations pursuant to said NAVY LPD-17

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 3 - Cooperative Endeavor Agreements, Continued:

University of New Orleans/  
Avondale Maritime Technology Center of Excellence, Continued

Contract and other contracts. Furthermore Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting initially 12,000 square feet was increased to 21,000 square feet in the Facility subleased by Avondale from **the Foundation**.

- In the event the costs of the project required to be expended by **the Foundation** in constructing the facility and acquiring the equipment exceed the amounts paid by the State, Avondale will pay to **the Foundation** the amounts required for **the Foundation** to fulfill the obligations to construct and equip the facility.

Navy Information Technology Center

On November 14, 1997, May 1, 1999, and May 17, 2000 the State of Louisiana and the Louisiana Department of Economic Development (the State), the University and **the Foundation** entered into three separate Cooperative Endeavor Agreements (the Cooperative Agreements) with each agreement having a term of three years.

The Cooperative Agreements provide for the use of State funds to pay for project costs associated with the planning, financing and construction of buildings, professional fees and other project costs for the Navy Information Technology Center located in Orleans Parish. Such facilities will accommodate the consolidation of the Navy and Department of Defense Military personnel systems research and development and Navy information systems. As a material inducement to the State to enter into the Cooperative Agreements, **the Foundation** represented that certain economic benefits would be derived from the Naval Consolidation which will equal or exceed the value of the State's obligation under the terms of the Cooperative Agreements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 3 - Cooperative Endeavor Agreements, Continued:

Louisiana Educational Television Authority

General

On February 15, 2002, the State of Louisiana, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, Louisiana Educational Television Authority (LETA), The Greater New Orleans Educational Television Foundation (WYES-TV), The Educational Broadcasting Foundation, Inc. (WLAE-TV) and **the Foundation** entered into a Cooperative Endeavor Agreement.

The Cooperative Agreement provides for the development of a state of the art digital facility known as, The New Orleans Teleplex, which will be capable of broadcasting in high definition television. This facility is expected to create a positive economic impact for the New Orleans area.

LETA made an initial payment of \$500,000 to **the Foundation**, through an appropriation by the State Legislature in 2001, for the development phase of the Teleplex. WYES-TV and WLAE-TV, also known as the Louisiana Public Broadcasting Group, agreed to provide an aggregate of \$3,000,000 towards the construction of the Teleplex and an aggregate \$1,000,000 toward equipping the Teleplex as a joint obligation. As of June 30, 2004, **the Foundation** has received \$2,000,000 from the Louisiana Public Broadcasting Group.

NOTE 4 - Income Taxes:

**The Foundation** is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 5 - Fixed Assets:

Fixed assets consist of the following at June 30, 2004:

<u>Description</u>	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/04</u>
Land improvements	\$ 276,957	\$ -0-	\$ -0-	\$ 276,957
Building-Avondale	12,718,555	-0-	-0-	12,718,555
Building and Parking Garage-Navy Facilities	55,208,095	528,647	-0-	55,736,742
Building-Advanced Technology Center	8,838,737	-0-	-0-	8,838,737
Construction-in-Progress	1,525,788	412,070	(391,421)	1,546,437
Office furniture and equipment	6,405,935	74,739	-0-	6,480,674
Equipment acquired under capital leases	10,537,258	-0-	-0-	10,537,258
Accumulated depreciation	<u>(20,963,285)</u>	<u>(3,011,687)</u>	<u>-0-</u>	<u>(23,974,972)</u>
Net fixed assets	<u>\$ 74,548,040</u>	<u>\$(1,996,231)</u>	<u>\$(391,421)</u>	<u>\$ 72,160,388</u>

NOTE 6 - Investments:

Investments include Federal Mortgage notes, certificate of deposit, and money markets accounts totaling \$8,834,374, which consisted of \$7,461,575 of current and \$1,372,799 of noncurrent investments.

NOTE 7 - Receivables:

Receivables consist of the following:

Accounts receivable	\$ 61,080
Grants receivable	1,900,654
Due from affiliates	<u>265,316</u>
Total	<u>\$2,227,050</u>

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 7 - Receivables, Continued:

Due from affiliates represents amounts due from the University of New Orleans and University of New Orleans Foundations.

NOTE 8 - Other Assets:

Other current assets consists of the following:

Bond issuance costs, net	\$57,252
Prepaid expenses and deposits	<u>15,261</u>
Total	<u>\$72,513</u>

Other noncurrent assets consists of the following:

Bond issuance costs, net	<u>\$72,866</u>
--------------------------	-----------------

NOTE 9 - Amounts Held in Custody for Others:

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. At June 30, 2004, security deposits totaled \$35,976.

NOTE 10 - Fair Value of Financial Instruments:

The estimated fair value of all significant instrument amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 10 - Fair Value of Financial Instruments, Continued:

- Cash and cash equivalents and deposits with trustees - **The Foundation** considers the carrying amounts of these financial instruments to be fair value.
- Equipment reimbursement receivable - **The Foundation** considers the carrying amount of the financial instrument to be fair value.
- Investments - The fair value for federal mortgage notes equals the related cost plus amortized discount.
- Bonds Payable, Notes Payable and Capital Lease Payable - The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

The carrying value and estimated fair values of **the Foundation's** financial instruments at June 30, 2004 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 687,777	\$ 687,777
Accounts receivable	61,080	61,080
Grants receivable	1,900,654	1,900,654
Due from affiliates	265,316	265,316
Investments	8,834,374	8,834,374
Bonds payable	8,772,298	8,772,298
Notes payable	7,734,926	7,734,926
Interest payable	1,166,435	1,166,435

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 11 - Notes Payable:**

On October 19, 1999, the **Foundation** entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest with the first annual payment due October 1, 2000 and continuing through October 1, 2014. The payments are conditioned upon the establishment of a \$500,000 operating reserve. At June 30, 2004 the operating reserve totaled \$500,000. Each annual payment shall be equal to 87.35% of the net cash flow relative to the Advanced Technology Center for the immediate preceding fiscal year. The unamortized discount relative to the note totaled \$750,906 at June 30, 2004, which is recorded as a reduction of the note payable and an increase in interest expense.

On October 19, 1999, the **Foundation** entered into a Loan Agreement with a local bank. The balance of the loan at June 30, 2004 was \$6,984,432. The loan bears an interest rate of 7.25% with the first annual payment due May 19, 2001 and continuing through January 19, 2011.

The following is a summary of notes payable at June 30, 2004:

Louisiana Public Facilities Authority	
Principal amount	\$1,500,000
Unamortized discount	<u>(750,906)</u>
Sub-total	749,094
Local bank	<u>6,984,432</u>
Supplier	<u>1,400</u>
Total	<u>\$7,734,926</u>

At June 30, 2004, the current and noncurrent portion of notes payable totaled \$229,744 and \$7,505,182, respectively.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 12 - Bonds Payable:

On October 20, 1999, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$24,950,000 of Revenue Refunding Bonds (Series 1999) to the Foundation. The proceeds of the Bonds were used to refund certain existing indebtedness incurred with respect to financing the construction and equipping of the UNO/Avondale Maritime Technology Center of Excellence and paying the costs of issuance of the Series 1999 bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 4.50% to 5.00% per annum. The outstanding bonds, some of which were purchased at a premium and accrued interest, are required to be repaid as follows:

<u>Date</u>	<u>Amount</u>
October 1, 2004	\$4,040,000
October 1, 2005	3,945,000
October 1, 2006	<u>790,000</u>
Sub-total	8,775,000
Discount/premium	<u>(2,702)</u>
Total	<u>\$8,772,298</u>

Under the terms of the bond agreement, bond funds totaling \$23,568 have been deposited with a trustee at June 30, 2004.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 13 - Ground Leases:

On May 16, 1997, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the University of New Orleans Research and Technology Foundation, Inc. (the Foundation). The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to **the Foundation** who will in turn develop construct, maintain, operate, manage and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years with annual rent totaling \$100. At the expiration of the lease, the facilities and all furniture, fixtures, equipment and furnishings permanently affixed to the facilities shall become the property of the University.

On December 1, 1997, the University entered into a non-transferable ground lease agreement with **the Foundation**. Such agreement was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property and three acres of land on the University of New Orleans East Campus that are located in Orleans Parish to **the Foundation** who will develop, construct, maintain, operate, manage and/or lease improvements on such land. Prior to entering into the ground lease agreement with the Foundation, the University, the State of Louisiana and the U. S. Department of Commerce invested \$3,923,191 in the infrastructure of the site, which improved **the Foundation's** ability to sub-lease the property to tenants. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by **the Foundation**.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 14 - Property, Facility and Equipment Lease Agreements:

UNO/Avondale Maritime Technology Center of Excellence

On May 16, 1997, **the Foundation** and Avondale Industries, Inc. entered into a sub-lease agreement which provides for Avondale Industries, Inc. to lease from **the Foundation**, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first twelve years (1997-2008) provides for Avondale Industries, Inc. to pay as rental the sum of \$100,000 per year by September 1 of each year provided that the State has made the annual appropriation provided for in the Cooperative Endeavor Agreement. Beginning September 1, 2009 and for each year thereafter during the term of the sub-lease, rent in the amount of \$100,000 is due and payable by September 1 of each year without regard to the State Appropriation.

Naval Reserve Information System Office

On January 15, 1998, April 14, 1999 and on July 3, 2000, **the Foundation** entered into a sub-lease agreement and amended lease modifications, respectively with the United States of America (the Government) to lease from **the Foundation**, approximately 300,000 square feet of administrative space, 700 hard surface parking spaces, and 15.71 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms with the annual rent for the premises and maintenance services of \$1.00 and \$2,203,259, respectively.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 15 - Related Party Transaction:

University of New Orleans Foundation

The University of New Orleans Foundation provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to **the Foundation** for a nominal monthly fee. **The Foundation** has paid \$540,442 to the University of New Orleans Foundation for the aforementioned services.

University of New Orleans

**The Foundation** has entered into a contractual agreement with the University of New Orleans to provide personnel to work on Foundation Grants. **The Foundation** reimburses the University of New Orleans for all costs associated with the personnel services and is charged a nominal fee for the processing of the payroll.

NOTE 16 - Concentration of Credit Risk:

**The Foundation** maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Balances in excess of FDIC insurance at June 30, 2004 were \$335,035.

NOTE 17 - Contingency:

The City property tax assessor has assessed **the Foundation** with real estate property taxes, interest and penalties for certain buildings owned by **the Foundation** in the total amount of \$4,746,876.86 as of August 2004. **The Foundation** believes that it is entitled to property tax exemptions under present law and jurisprudence due to its non-profit status and due to the use of these buildings to further the non-profit goals of **the Foundation**. **The Foundation** is engaged in ongoing discussions with the assessor. If necessary, **the Foundation** is prepared to litigate this issue. Although, **the Foundation** believes that it has adequate defenses against the assessment, if not successful, the assessment, interest and penalties may have a significant impact on the financial condition of **the Foundation**. **The Foundation's** counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which **the Foundation** may be subject.

**SUPPLEMENTARY INFORMATION**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT  
ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors  
**University of New Orleans**  
**Research and Technology Foundation**  
New Orleans, Louisiana

Our report on our audit of the financial statements of the **University of New Orleans Research and Technology Foundation (the Foundation)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The other supplementary information which is prepared in accordance with accounting principles generally accepted in the United States of America and is not a required part of the financial statements has also been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2004

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<b><u>U.S. Department of Defense</u></b>			
<b><u>Research and Development Cluster</u></b>			
<b><u>Direct Award</u></b>			
Marine Composites Affordability - A Knowledge Based Approach	12.N00014-02	--	\$ 12,737
Integrated Structural Building Block (ISBB)	12.N000140310892	--	245,623
<b><u>Awards From a Pass-Through Entity</u></b>			
Passed-Through: Northrup Grumman Status Data for Ship Motion Effect - Sator Risk Mitigation, Phase III	12.N000-24-02-C	230	42,039
Passed-Through: Science and Engineering Association Workforce Learning Community	12.FG173C20T2	--	777,429
Passed-Through: U.S. Robotech, Inc. EGIS Implementation and Integration	12.FAST-USAGEI	0128	32,501
Passed-Through: Agiltron Incorporated Molecular Design of Particle Surfaces	12.F49620-02-C-0060	--	4,818
Passed-Through: Cognition Corporation Completion of Phase II Research in Affordability Measurements & Prediction Methods to Support Affordable Design of Ship Systems	12.N00014-00-C-0269	909746	68,390
Passed-Through: Edison Welding Particle Size Analysis of Paint Spray	12.46889GDE	03-0390	23,482
Passed-Through: Foam Matrix Reliability and Maintenance Cost Reduction For LCAC Activities	12.N00014-03-0311	P00001	<u>19,706</u>
<b>Total U.S. Department of Defense</b>			<u>1,226,725</u>

The accompanying notes are an integral part of these schedules.

UNIVERSITY OF NEW ORLEANS  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. Department of Commerce</u>			
<i><u>Research and Development Cluster</u></i>			
<i><u>Direct Award</u></i>			
Pontchartrain Restoration Program	11.463	--	<u>\$1,518,539</u>
Total U. S. Department of Commerce			
<u>U. S. Department of Justice</u>			
<i><u>Research and Development Cluster</u></i>			
<i><u>Direct Awards</u></i>			
Central Gulf Coast Regional Computer Forensic Lab Project	16.2002LP-CXK004	--	<u>492,448</u>
Total U.S. Department of Justice			
<u>U. S. National Aeronautics and Space Administration</u>			
<i><u>Research and Development Cluster</u></i>			
<i><u>Direct Awards</u></i>			
The Development of Innovative Advanced Composite Manufacturing Technologies	43.NCC8223	--	<u>3,378,546</u>
Total U.S. National Aeronautics and Space Administration			

The accompanying notes are an integral part of these schedules.

UNIVERSITY OF NEW ORLEANS  
 RESEARCH AND TECHNOLOGY FOUNDATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Research and Development Cluster</i>			
<i>Direct Award</i>			
Lake Pontchartrain Basin Restoration Program	66.X97608901	--	\$2,384,618
Total U.S. Environmental Protection Agency			2,384,618
 <u>Agency for International Development</u>			
<i>Research and Development Cluster</i>			
<i>Direct Awards</i>			
Caribbean Environmental Communications	02.532-A-00-02-00074-00	--	5,839
Total Agency for International Development			5,839
Total Expenditures of Federal Awards			\$9,006,715

The accompanying notes are an integral part of these schedules.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

---

NOTE 1 - Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **the Foundation** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NOTE 2 - Subrecipients:

Of the federal expenditures presented in the Schedule **the Foundation** provided \$7,742,919 to various subrecipients under the various grant awards.

**OTHER SUPPLEMENTARY INFORMATION**

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 537,777
Investments	7,461,575
Accounts receivable, net	920,530
Due from Federal Government	1,306,520
Deferred charges and prepaid expenses	259,476
Other current assets	15,261
<b>Total current assets</b>	<u>10,501,139</u>

**Noncurrent Assets**

<b>Restricted Assets:</b>	
Cash and cash equivalents (NOTE 2)	150,000
Investments	1,372,799
Capital assets, net	72,160,388
Other noncurrent assets	72,866
<b>Total noncurrent assets</b>	<u>73,756,053</u>
<b>Total assets</b>	<u>\$ 84,257,192</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 2,726,492
Deferred revenues	24,281
Amounts held in custody for others	35,976
Notes payable	229,744
Bonds payable	4,040,000
Other current liabilities	1,185,369
<b>Total current liabilities</b>	<u>8,241,862</u>

**Noncurrent Liabilities**

Notes payable	7,505,182
Bonds payable	4,732,298
Other noncurrent liabilities	1,078,974
<b>Total noncurrent liabilities</b>	<u>13,316,454</u>
<b>Total liabilities</b>	<u>21,558,316</u>

**NET ASSETS**

Invested in capital assets, net of related debt	55,653,164
<b>Restricted for:</b>	
Nonexpendable	-
Expendable	150,000
Unrestricted	6,895,712
<b>Total Net Assets</b>	<u>\$ 62,698,876</u>

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**OPERATING REVENUES**

Gifts received by the foundations	\$	284,904
Federal grants and contracts		9,256,558
State and local grants and contracts		5,637,408
Other operating revenues		5,025,845
<b>Total operating revenues</b>		20,204,715

**OPERATING EXPENSES**

Other operating expenses		19,383,856
<b>Total operating expenses</b>		19,383,856
<b>Operating income (loss)</b>		820,859

**NONOPERATING REVENUES AND (EXPENSES)**

Net investment income (loss)		72,665
Interest expense		(1,091,361)
Payments to or on behalf of the university		(215,828)
<b>Net nonoperating revenues (expenses)</b>		(1,234,524)
<b>Income before other revenues, expenses, gains, and losses</b>		(413,665)

Other revenue		4,958,581
<b>Increase (decrease) in net assets</b>		4,544,916

Net assets at beginning of year		58,153,960
<b>Net assets at end of year</b>	\$	62,698,876

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION**

**ORGANIZATION**

The University of New Orleans Research and Technology Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: University of New Orleans. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2004, the University of New Orleans Research and Technology Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$215,828.

Complete financial statements for the University of New Orleans Research and Technology Foundation can be obtained from 2000 Lakeshore Drive, New Orleans, Louisiana, 70148

The University of New Orleans Research and Technology Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION**

	Balance June 30, 2003	Prior Period Adjustment	Restated Balance 6/30/03	Additions	Transfers	Retirements	Balance June 30, 2004
<b>SCHEDULE OF CAPITAL ASSETS</b>							
Capital assets not being depreciated							
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	1,525,788	-	1,525,788	412,070	(391,421)	-	1,546,437
Total capital assets not being depreciated	\$ 1,525,788	\$ -	\$ 1,525,788	\$ 412,070	\$ (391,421)	\$ -	\$ 1,546,437
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Land improvements	276,957	-	276,957	-	-	-	276,957
Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	276,957	-	276,957	-	-	-	276,957
Buildings	76,765,387	-	76,765,387	528,647	-	-	77,294,034
Less accumulated depreciation	(5,960,949)	-	(5,960,949)	(1,948,495)	-	-	(7,909,444)
Total buildings	70,804,438	-	70,804,438	(1,419,848)	-	-	69,384,590
Equipment	16,943,193	-	16,943,193	74,739	-	-	17,017,932
Less accumulated depreciation	(15,002,336)	-	(15,002,336)	(1,063,192)	-	-	(16,065,528)
Total equipment	1,940,857	-	1,940,857	(988,453)	-	-	952,404
Library books	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	\$ 73,022,252	\$ -	\$ 73,022,252	\$ (2,408,301)	\$ -	\$ -	\$ 70,613,951
Capital Asset Summary:							
Capital assets not being depreciated	1,525,788	-	1,525,788	412,070	(391,421)	-	1,546,437
Other capital assets, at cost	93,985,537	-	93,985,537	603,386	-	-	94,588,923
Total cost of capital assets	95,511,325	-	95,511,325	1,015,456	(391,421)	-	96,135,360
Less accumulated depreciation	(20,963,285)	-	(20,963,285)	(3,011,687)	-	-	(23,974,972)
Capital assets, net	\$ 74,548,040	\$ -	\$ 74,548,040	\$ (1,996,231)	\$ (391,421)	\$ -	\$ 72,160,388

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL ASSETS**

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 12,900,000	\$ -	\$ 4,125,000	\$ 8,775,000	\$ 4,040,000
Notes payable	8,621,057	-	135,225	8,485,832	229,744
Total bonds, notes and capital leases	<u>21,521,057</u>	<u>-</u>	<u>4,260,225</u>	<u>17,260,832</u>	<u>4,269,744</u>
Other liabilities:					
Amounts held in custody for others	35,976	-	-	35,976	35,976
Total other liabilities	<u>35,976</u>	<u>-</u>	<u>-</u>	<u>35,976</u>	<u>35,976</u>
Total long-term liabilities	<u>\$ 21,557,033</u>	<u>\$ -</u>	<u>\$ 4,260,225</u>	<u>\$ 17,296,808</u>	<u>\$ 4,305,720</u>

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF BONDS PAYABLE:**

Issue	Date of Issue	Original Issue	Principal		(Redeemed) Issued	Principal		Interest Rates	Interest	
			Outstanding 6/30/03	Outstanding 6/30/04		Outstanding 6/30/04	Outstanding 6/30/04			
Louisiana Local Government Environmental Facilities and Community Development Authority	10/20/99	24,950,000	12,900,000	8,775,000	(4,125,000)	8,775,000	5%	472,935		
Total		<u>\$ 24,950,000</u>	<u>\$ 12,900,000</u>	<u>\$ 8,775,000</u>	<u>\$ (4,125,000)</u>	<u>\$ 8,775,000</u>		<u>\$ 472,935</u>		

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF BOND AMORTIZATION:**

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 4,040,000	\$ 323,940	\$ 4,363,940
2006	3,945,000	130,233	4,075,233
2007	790,000	18,762	808,762
<b>TOTAL</b>	<b>\$ 8,775,000</b>	<b>\$ 472,935</b>	<b>\$ 9,247,935</b>

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/03	(Redeemed) Issued	Principal Outstanding 6/30/04	Interest Rates	Interest Outstanding 6/30/04
Louisiana Public Facilities Authority	10/19/99	\$ 1,500,000	\$ 1,500,000		\$ 1,500,000	0%	\$ -
Local Bank	10/19/99	7,350,000	7,108,222	(123,790)	6,984,432	7.25%	1,011,313
Supplier	03/11/02	27,525	12,834	(11,434)	1,400	9.99%	-
Total		<u>\$ 8,877,525</u>	<u>\$ 8,621,056</u>	<u>\$ (135,224)</u>	<u>\$ 8,485,832</u>		<u>\$ 1,011,313</u>

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE OF NOTES PAYABLE AMORTIZATION:**

<b>Fiscal Year</b>				
<b><u>Ending</u></b>	<b><u>Principal</u></b>		<b><u>Interest</u></b>	<b><u>Total</u></b>
2005	\$ 229,744	\$	615,282	\$ 845,026
2006	238,578		555,136	793,714
2007	249,590		579,271	828,861
2008	260,118		562,146	822,264
2009	274,089		542,056	816,145
2010	287,801		520,666	808,467
2011	302,553		502,642	805,195
2012	317,272		483,035	800,307
2013	335,427		460,342	795,769
2014	916,303		411,647	1,327,950
2015	279,826		363,739	643,565
2016	300,159		343,406	643,565
2017	323,925		319,640	643,565
2018	348,554		295,011	643,565
2019	375,056		268,508	643,564
2020	409,821		240,644	650,465
2021	434,209		209,355	643,564
2022	467,224		176,340	643,564
2023	502,950		140,815	643,765
2024	540,712		102,852	643,564
2025	582,089		61,476	643,565
2026	509,832		17,574	527,406
<b>TOTAL</b>	<b><u>\$ 8,485,832</u></b>	<b><u>\$</u></b>	<b><u>7,771,583</u></b>	<b><u>\$ 16,257,415</u></b>



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

---

To the Board of Directors  
**University of New Orleans**  
**Research and Technology Foundation**

We have audited the financial statements of the **University of New Orleans Research and Technology Foundation (the Foundation)** as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether **the Foundation's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

---

(CONTINUED)

**Internal Control Over Financial Reporting**

In planning and performing our audit, except for the functions performed at Avondale Industries, Inc. in connection with reviewing and approving invoices for payment of computer programming, labor costs billings and travel costs, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. For the internal control categories at Avondale Industries, Inc., internal auditors will obtain an understanding of the design of relevant policies and procedures, will determine whether they have been placed in operation, and will assess control risk prior to June 30, 2004. Furthermore, the scope of our work did not extend to these internal control policies and procedures established and maintained at Avondale Industries, Inc.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

---

(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2004



**Member**

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

---

To the Board of Directors  
**University of New Orleans  
Research and Technology Foundation**

**Compliance**

We have audited the compliance of **University of New Orleans Research and Technology Foundation (the Foundation)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. **The Foundation's** major federal program is identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal program is the responsibility of **the Foundation's** management. Our responsibility is to express an opinion on **the Foundation's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards; issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the Foundation's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **the Foundation's** compliance with those requirements.

In our opinion, **the Foundation** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as audit finding 2004-01.

Resolving the instances of noncompliance is the responsibility of the management of **the Foundation**, and federal officials. The determination of whether the identified instances of noncompliance will ultimately result in a disallowance of costs cannot be presently determined. Accordingly, no adjustments for any disallowances that may result has been made to the federal program amounts listed in the accompanying Schedule of Expenditures of Federal Awards.

**Internal Control Over Compliance**

The management of **the Foundation** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **the Foundation's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*Bruno & Tervalon*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2004

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE I - Summary of the Independent Auditors' Results**

1. Type of report issued on the financial statements. **Unqualified Opinion.**
2. Did the audit disclose any reportable conditions in internal control. **No.**
3. Were any of the reportable conditions material weaknesses. **No.**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization. **No.**
5. Did the audit disclose any reportable conditions in internal control over major programs. **No.**
6. Were any of the reportable conditions in internal control over major programs material weaknesses. **No.**
7. Type of report issued on compliance for major programs. **Unqualified.**
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a). **Yes.**
9. The following is an identification of major programs:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
Workforce Learning Community	12.FG173C20T2
EGIS Implementation and Integration	12.FAST-USAGE1
Molecular Design of Particle Surfaces	12.F49620-02-C-0060
Marine Composites Affordability - A Knowledge Based Approach	12.NO0014-02

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE I - Summary of the Independent Auditors' Results, Continued**

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
Integrated Structural Building Block (ISBB)	12.NO00140310 892
Status Data for Ship Motion Effect - Saio Risk Mitigation, Phase III	12.NO00-24-02-C
Reliability and Maintenance Cost Reduction for LCAC Activities	12.NO0014-03-0311
Completion of Phase II Research in Affordability Measurements & Prediction Methods to Support Affordable Design of Ship Systems	12.N00014-00C-0269
Particle Size Analysis of Paint Spray	12.46889GDE
Pontchartrain Restoration Program	11.463
Central Gulf Coast Regional Computer Forensic Lab Project	16.2002LP-CXK004
The Development of Innovative Advanced Composite Manufacturing Technologies	43.NCC8223
Lake Pontchartrain Basin Restoration Program	66.X97608901
Caribbean Environmental Communications	02.532-A-00-02-00074-00

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$500,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530. Yes

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE II - Financial Statement Findings**

None noted.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE III - Findings and Questioned Costs Related to Federal Awards,  
Continued**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number, Continued</u>	<u>Questioned Cost</u>
2004-01 Monitoring	\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

11.463	-	Pontchartrain Restoration Program
12.FG173C20T2	-	Workforce Learning Community
16.2002LP-CXK004	-	Central Gulf Coast Regional Computer Forensic Lab Project
66.X97608901	-	Lake Pontchartrain Basin Restoration Program

Federal Award Year

June 30, 2004

Federal Agencies

U.S. Department of Defense  
U.S. Department of Commerce  
U.S. Department of Environmental Protection Agency  
U.S. Department of Justice

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE III - Findings and Questioned Costs Related to Federal Awards,  
Continued**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE,  
CONTINUED**

<u>Audit Finding Reference Number, Continued</u>	<u>Questioned Cost</u>
--	------------------------

2004-01 Monitoring	\$-0-
--------------------	-------

Pass-through Entity

Science and Engineering Association

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity is responsible for the monitoring of the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements. This responsibility includes identifying federal award information and compliance requirements to the sub-recipient and ensuring required audits are performed.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

---

**SCHEDULE III - Findings and Questioned Costs Related to Federal Awards,  
Continued**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE,  
CONTINUED**

<u>Audit Finding Reference Number, Continued</u>	<u>Questioned Cost</u>
2004-01 Monitoring	\$-0-

Conditions and Perspectives

We noted during our audit the following conditions:

The management of **the Foundation** did not include in contracts, specific language for certain award information such as A-133 audit requirements and other information for two (2) out of five (5) sub-recipient contracts. Also, **the Foundation** was unable to provide evidence that they had reviewed A-133 audit reports for three (3) out of three (3) sub-recipients selected for testing.

Cause

The management of **the Foundation** was of the opinion that the language requiring the sub-recipient to comply with all applicable Federal laws, rules and policies satisfied the requirement. Also, management indicated that they have reviewed the audit reports of the sub-recipients but had not fully document their review as evidence of such.

Questioned Cost

For purposes of these conditions, we have not questioned any costs.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**SCHEDULE III - Findings and Questioned Costs Related to Federal Awards,  
Continued**

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE,  
CONTINUED**

Audit Finding Reference Number, Continued

Questioned Cost

2004-01 Monitoring

\$-0-

Effect

**The Foundation** is continuing to ensure that sub-recipients are monitored in accordance with federal requirements.

Recommendation

We recommend that **the Foundation** ensure that all sub-recipient contracts contain language requiring their compliance with A-133. Also, we recommend that after management's review of sub-recipient audit reports a memorandum of such review be prepared, dated and maintained in the file.



**Member**

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors  
**University of New Orleans**  
**Research and Technology Foundation**  
New Orleans, Louisiana

We have audited the schedule of expenditures of federal awards (**the Schedule**) of the **University of New Orleans Research and Technology Foundation (the Foundation)** for the year ended June 30, 2003, and have issued our report thereon dated August 31, 2004.

In planning and performing our audit of **the Schedule**, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on **the Schedule** and not to provide assurance on the internal control. Also, in accordance with OMB Circular A-133, we performed procedures to obtain an understanding of internal control over federal programs to support a low assessed level of control risk for major programs. During our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Additionally, as a result of performing compliance testing over major programs, we noted certain conditions that are not audit findings as specified by OMB Circular A-133, section 510.

This letter does not affect our report dated August 31, 2004 on **the Schedule** of Federal Expenditures of **the Foundation**.

This report is intended solely for the information and use of the Board of Directors, management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
CURRENT YEAR MANAGEMENT LETTER COMMENT**

---

**1. Procurement**

We noted during our audit that **the Foundation** did not adhere to the procurement policy in procuring furnishings in the amount of \$74,739 for the Central Gulf Coast Regional Computer Forensic Lab Project. The aforementioned purchase consisted of many small items of supplies whose costs ranged between \$20 and \$750. It appears that there were no written documentation at the time of purchase to indicate cost comparison or other solicitations for the goods and services and cost and price analysis had been evaluated by **the Foundation**.

**Recommendation**

We recommend that management of **the Foundation** adhere to established procedures and take the necessary steps to document such at the time of occurrence.

**2. Financial Reporting**

We noted during our audit that certain grant expenditures for the Central Gulf Coast Regional Computer Forensic Lab Project grant program that were reflected on the related financial reports (269A) submitted during the year ended June 30, 2004 did not agree in total to the grant expenditure amounts recorded in the general ledger. The difference is as follows:

<u>Grant Name</u>	<u>CFDA Number</u>	<u>Total Amount Per Financial Reports</u>	<u>Total Amount Per Accounting Records</u>	<u>Prior Year Adjustment</u>	<u>Over/ (Under)</u>
Central Gulf Coast Regional Computer Forensic Lab Project	16.2002LP-CXK004	\$683,567	(\$492,448)	\$(145,960)	\$45,179

**Recommendation**

We recommend that management of **the Foundation** take immediate steps to ensure that accurate financial information is submitted to the federal government.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)**

---

\*\*\*\*\*

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel of the **Foundation** and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2004

UNIVERSITY OF  
NEW ORLEANS  
FOUNDATION

Financial & Administrative Services

December 1, 2004

Mr. Sean Bruno  
Bruno and Tervalon LLP  
Certified Public Accountants  
4298 Elysian Fields Ave.  
New Orleans, LA 70122

Dear Mr. Bruno:

In conjunction with Management Letter Comment Reference Number 04-01, Procurement, the Foundation concurs with the observation that documentation of the procedures performed in the procurement of furnishings for the Central Gulf Coast Regional Computer Forensics Lab Project was not maintained properly. The management of the Foundation appreciates the opportunity to respond to this observation.

A corrective action plan to ensure that Foundation's procurement policy is properly documented has been implemented by management. The Foundation will document the procedures used in accordance with Foundation procurement policy and the Controller will be responsible for ensuring the maintenance of sufficient documentation. Should you require any additional information on the corrective actions implemented by the Foundation, please do not hesitate to call me.

Sincerely,



Eileen Kennedy Byrne  
Vice President and Chief Financial Officer

Cc: Robert Gremillion, Controller  
Patrick Gibbs, President and CEO